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# AMERICAN S • S COMPANY

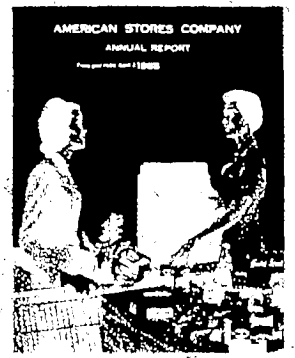
## ANNUAL REPORT

*Fiscal year ended April 2, 1955*



■ **COVER:** The cover scene is one familiar to all who have shopped in an Acme Super Market. In a self-service operation, the checkout provides an opportunity for personal contact as well as efficient service.

We are constantly striving to improve our service to the public, as the success of the business depends on continued customer satisfaction.



# ANNUAL REPORT

*for the fiscal year ended April 2,*

**1955**

## AMERICAN STORES COMPANY

GENERAL OFFICES: 424 North Nineteenth Street, Philadelphia 30, Pa.

### DIRECTORS

SAMUEL ROBINSON

WILLIAM PARK

JOHN M. HANCOCK

WILLIAM GOULD

FRED J. HEANEY

JAMES K. ROBINSON, Jr.

THOMAS H. SHERRARD

JOHN R. PARK

J. WILLIAM HARDT

WILFRED D. GILLEN

PAUL J. CUPP

A. J. FAULHABER

### OFFICERS

WILLIAM PARK, *President*

FRED J. HEANEY, *Vice President and  
General Manager*

JAMES K. ROBINSON, Jr., *Vice President*

A. J. FAULHABER, *Vice President*

PAUL J. CUPP, *Vice President*

FRANK L. SPOON, *Vice President*

R. H. BIRCHARD, *Vice President*

JOHN R. PARK, *Vice President and Treasurer*

S. A. GOULD, *Assistant to the President*

E. A. COLSON, *Secretary*

S. C. ARCHER, *Assistant Treasurer and  
Assistant Secretary*

J. V. KEERS, *Assistant Secretary*

A. E. GILFILLAN, *Assistant Secretary*

▪ **TRANSFER AGENTS:** The Pennsylvania Company for Banking and Trusts  
Philadelphia, Pa.

Bankers Trust Company  
New York, N. Y.

▪ **REGISTRARS:** Liberty Real Estate Bank and Trust Company  
Philadelphia, Pa.

City Bank Farmers Trust Company  
New York, N. Y.

## FINANCIAL HIGHLIGHTS

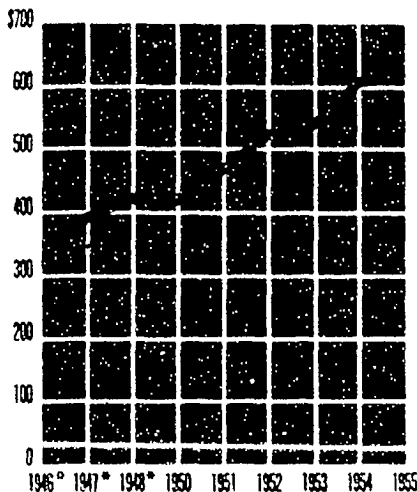
	<i>52 weeks ended April 2,</i> <b>1955</b>	<i>53 weeks ended April 3,</i> <b>1954</b>
Sales.....	\$624,625,745	\$603,736,507
Earnings before income taxes.....	14,218,128	15,678,143
Federal and State income taxes.....	7,203,000	8,210,000
Net earnings.....	7,015,128	7,468,143
Working capital.....	42,779,937	45,156,519
Shares outstanding at year-end.....	1,441,230	1,368,496
Per share:		
Earnings.....	4.86	5.45
Cash dividends.....	2.00	2.00
Stock dividend.....	5%	5%
Stockholders' equity.....	48.55	47.91
Number of stores.....	1,076	1,132
<i>For more comprehensive comparisons see Fifteen-Year Statistical Summary on pages 10 and 11.</i>		

## TO THE STOCKHOLDERS:

**SALES** Sales of the Company and its subsidiaries again set a new record and totaled \$624,625,745 for the 52-week fiscal year ended April 2, 1955. This is an increase of \$20,889,238 or 3.46% over the preceding 53-week fiscal year. Adjusted to a comparable 52-week basis, the increase was 5.45%. This increase was accomplished entirely by handling greater tonnage as retail food prices averaged slightly lower than in the preceding year.

### *Sales*

MILLIONS OF DOLLARS



**FINANCIAL** Net earnings amounted to \$7,015,128 or \$4.86 per share on the 1,441,230 shares outstanding on April 2, 1955, including the 68,626 shares paid as a stock dividend on April 1, 1955. This compared with the preceding year's net earnings of \$7,468,143 or \$5.45 per share on the 1,368,496 shares outstanding on April 3, 1954. Part of the reduction in earnings can be attributed to the fact that the current year consisted of 52 weeks as compared with 53 for the preceding period. The remainder of the reduction was a result of increased operating costs, particularly wages, which were not offset by a commensurate increase in gross profit margins or in sales volume.

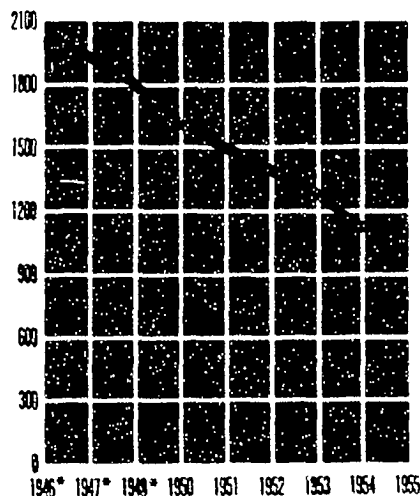
Cash dividends were paid quarterly at the rate of 50¢ per share. On February 16, 1955, the Board of Directors declared a 5% stock dividend which was paid April 1, 1955 to stockholders of record at the close of business March 1, 1955.

Working capital at the year-end amounted to \$42,779,937. While this was down somewhat from the preceding year, it is considered adequate. The current ratio was 2.59 compared to 2.56 at the end of the preceding year.

Although sales volume increased, inventories at the year-end declined \$3,299,547 to \$47,902,725.

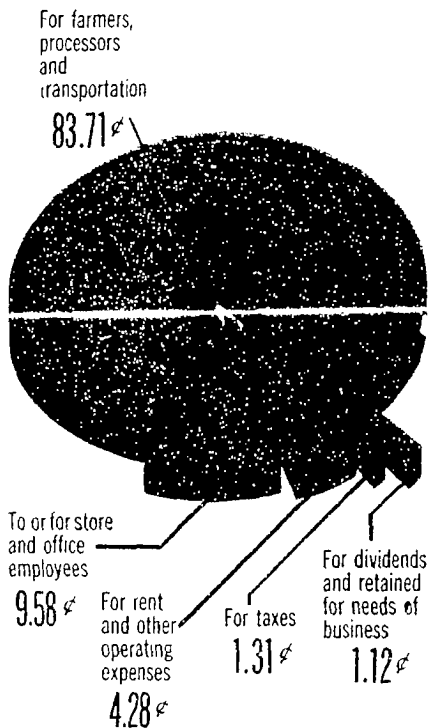
Long-term debt has been reduced to \$23,875,000, reflecting payment on August 1, 1954 of the first annual instalment of \$1,125,000. There was no short-term bank borrowing at the end of the year.

### *Number of stores*



\* Calendar year

*How our sales dollar  
was divided*



**STORES** During the year 34 new markets were completed and opened, and at the end of the year there were definite commitments for 67 markets, many of which were in various stages of construction. The average size of these new stores is continuing to increase. It is expected that about 50 units will be opened during the current fiscal year. This expansion program is one of the most ambitious undertaken by the Company.

At April 2, 1955, there were 1,076 stores in operation, of which 756 were self-service super markets. During the year, 90 of the smaller service and self-service stores were closed.

In addition to the new markets which were opened, a large number of existing units were remodeled. Some of these stores were substantially enlarged where the space and parking facilities were available. Many of the existing markets are being equipped with air-conditioning where circumstances warrant.

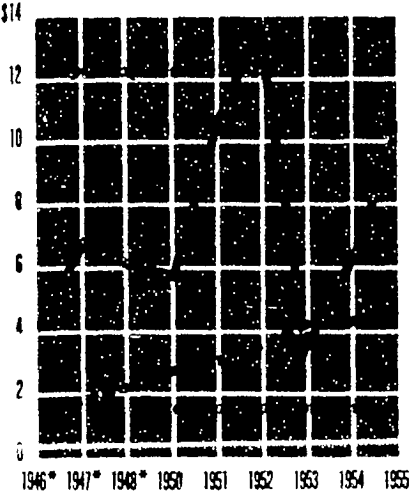
The time taken from the selection of a market location to the actual opening of the store ranges from a minimum of six months to well over a year. The development and construction of a well-planned shopping center often involves a considerably longer period of time from the initial commitment to the actual store opening than that required by an individually located market.

**PLANT AND EQUIPMENT** The construction of a new warehouse and office at Syracuse and the enlargement of the Buffalo bakery have been completed during the past year, thereby providing for the present the distribution and service facilities required to handle the increasing sales in these two areas. The former Syracuse warehouse property was sold during the year.

At the end of April, 1955, operations were discontinued at a leased grocery warehouse in Primos, Pa. The stores formerly served by this warehouse are now being handled by the large grocery warehouse at 59th Street and Upland Way, Philadelphia.

## Capital expenditures and depreciation provision

MILLIONS OF DOLLARS



\* Calendar year

This move was part of the original plan for the latter warehouse and should result in certain savings.

Toward the end of 1954 the Company purchased a new main office building located at 15th and Cherry Streets in Philadelphia. This building, which is more centrally and conveniently located than the present one, has sufficient floor space to satisfy the Company's foreseeable future requirements. It is currently being entirely remodeled and air-conditioned and should be ready for occupancy early this fall at which time certain presently rented office space will no longer be required. The present main office building has been sold with possession to be given at the time it is vacated.

Total expenditures for plant and equipment again exceeded the annual depreciation provision as they have in each postwar year except fiscal 1953. Expenditures for plant and equipment for all divisions of the business totaled \$10,832,296 and the provision for depreciation and amortization amounted to \$4,485,496.

At the annual meeting on June 16, 1954, Mr. Paul J. Cupp and Mr. Albert J. Faulhaber, both vice presidents of the Company, were elected directors.

The new store construction program will provide the facilities to improve our position in many of the areas where we operate and will also expand our operations into some new communities. Our merchandising program is being constantly adapted to the changing needs and buying habits of the public and we believe that, with the continued loyal and enthusiastic support of our personnel, we are in a position to increase our share of the expanding market for the goods and services we offer.

*Respectfully submitted,*

*William Park*

PRESIDENT

Philadelphia, Pa.

May 25, 1955



# American Stores Company and Subsidiaries

## CONSOLIDATED

ASSETS		APRIL 2, 1955	APRIL 3, 1954
Current assets:			
Cash.....	\$ 16,769,711	\$ 16,973,484	
Receivables.....	3,330,799	3,918,101	
Inventories, at lower of cost or market.....	47,902,725	51,202,272	
Prepaid expenses.....	1,740,532	1,994,406	
Total current assets.....	69,743,767	74,088,263	
Mortgages and miscellaneous investments.....	698,299	725,533	
Plant and equipment:			
Land.....	3,828,168	2,628,723	
Buildings.....	26,099,630	20,420,080	
Machinery, equipment and fixtures.....	41,004,554	38,222,271	
Leasehold improvements.....	5,881,708	4,691,631	
Total plant and equipment, at cost.....	73,814,060	65,962,705	
Less accumulated depreciation and amortization.	23,931,218	21,913,628	
	49,882,842	44,049,077	
Goodwill.....	1	1	
	<u>\$120,324,909</u>	<u>\$118,862,874</u>	
<i>See accompanying notes to financial statements.</i>			

# BALANCE SHEET

*April 2, 1955 (with comparative figures for 1954)*

## LIABILITIES AND STOCKHOLDERS' EQUITY

	APRIL 2, 1955	APRIL 3, 1954
Current liabilities:		
Notes payable, long-term, instalment due within one year (note 1).....	\$ 1,125,000	\$ 1,125,000
Accounts payable.....	13,090,228	14,771,308
Accrued expenses.....	4,949,748	4,115,446
Federal and State income taxes, estimated.....	7,798,854	8,919,990
Total current liabilities.....	26,963,830	28,931,744
Notes payable, long-term, less instalment due within one year (note 1).....	22,750,000	23,875,000
Provision for:		
Employees' retirement income benefits.....	158,981	497,885
Deferred income taxes (note 2).....	173,000	—
	631,981	497,885
Stockholders' equity:		
Common stock of \$1 par value. Authorized 2,000,000 shares. Outstanding 1955 — 1,441,230 shares; 1954 — 1,368,496 shares (note 3).....	1,441,230	1,368,496
Capital in excess of par value of common stock (note 4).....	23,116,134	19,445,747
Earnings retained for use in the business, less amount capitalized through stock dividends (note 1).....	45,421,734	44,744,002
	69,979,098	65,558,245
	<u>\$120,324,909</u>	<u>\$118,862,874</u>

*American Stores Company and Subsidiaries*  
STATEMENT OF CONSOLIDATED EARNINGS

Fifty-two weeks ended April 2, 1955 (with comparative figures for preceding period)

	<i>52 weeks ended April 2, 1955</i>	<i>53 weeks ended April 3, 1954</i>
<b>CURRENT EARNINGS</b>		
Sales:		
Retail stores.....	\$611,413,037	\$593,741,999
Other.....	13,212,708	9,994,508
	<u>624,625,745</u>	<u>603,736,507</u>
Cost of sales and operating expenses:		
Cost of merchandise sold, including warehousing and transportation expenses.....	523,217,115	505,738,226
Wages, rents, advertising, administrative and other operating expenses.....	82,259,101	77,492,058
Depreciation and amortization.....	4,485,496	4,226,020
Net gain on sale and retirement of plant and equipment.....	(320,108)	(214,258)
	<u>609,641,604</u>	<u>587,242,046</u>
Operating profit.....	14,984,141	16,494,461
Interest on loans, less miscellaneous income....	766,013	816,318
Earnings before income taxes.....	14,218,128	15,678,143
Federal and State income taxes, estimated (including \$43,000 Federal excess profits tax in 1954).....	7,203,000	8,210,000
Net earnings.....	<u>\$ 7,015,128</u>	<u>\$ 7,468,143</u>
<b>EARNINGS RETAINED FOR USE IN THE BUSINESS</b>		
Balance at beginning of period.....	\$ 44,744,002	\$ 42,643,357
Net earnings for the period.....	7,015,128	7,468,143
	<u>51,759,130</u>	<u>50,111,500</u>
Deduct:		
Cash dividends—\$2 per share.....	2,742,767	2,637,713
Stock dividend—5%.....	3,594,629	2,729,785
	<u>6,337,396</u>	<u>5,367,498</u>
Balance at end of period.....	<u>\$ 45,421,734</u>	<u>\$ 44,744,002</u>
<i>See accompanying notes to financial statements.</i>		

## NOTES TO FINANCIAL STATEMENTS

(1) **NOTES PAYABLE, LONG-TERM.** The notes are payable in annual instalments of \$1,125,000 from 1955 to 1966 inclusive with a final maturity of \$10,375,000 on August 1, 1967. Interest on \$7,162,500 is at the rate of 2½% per annum and on the remaining \$16,712,500 at 3% per annum. The notes contain restrictions as to the payment of cash dividends and the reacquisition and retirement of shares of stock of the company. Of the earnings retained for use in the business at April 2, 1955, an amount of \$31,766,443 is free of such restrictions.

(2) **DEPRECIATION.** With respect to additions to machinery, equipment and store fixtures since January 1, 1954, the company and a subsidiary have adopted for tax purposes one of the accelerated methods of depreciation permitted by the Internal Revenue Code of 1954 but have continued the straight-line method for general accounting purposes. Provision has been made for the estimated deferred income tax applicable to the excess of depreciation on such additions to be claimed for tax purposes over the corresponding amount of depreciation charged to earnings.

(3) **STOCK OPTIONS.** At April 2, 1955 there remained outstanding options granted to 53 officers and employees to purchase 50,638 shares common stock at prices ranging from \$33.61 to \$51.36, such prices being 95% of market price on the respective dates of granting, adjusted for stock dividends. The options are exercisable on a cumulative basis over a ten-year period and expire on or before February 16, 1965. In addition, 53,087 shares common stock are reserved for additional option grants.

(4) **CAPITAL IN EXCESS OF PAR VALUE OF COMMON STOCK.** During the year this account was increased by the excess over par value of:

Assigned value of 68,626 shares common stock issued as a stock dividend.....	\$3,526,003
Sale proceeds of 4,108 shares common stock sold to officers and employees pursuant to exercise of stock options.....	144,384
	<u>\$3,670,387</u>

(5) **LEASE COMMITMENTS.** The company and a subsidiary had 576 leases expiring more than three years after April 2, 1955. Such leases call for minimum annual rentals (excluding taxes, insurance and maintenance costs where payable by the lessee) totaling \$5,658,000, of which about 50% relates to leases expiring within 10 years and the remainder relates to leases expiring in from 10 to 20 years.

### THE BOARD OF DIRECTORS

#### AMERICAN STORES COMPANY:

## ACCOUNTANTS' REPORT

We have examined the consolidated balance sheet of American Stores Company and subsidiaries as of April 2, 1955 and the related statement of earnings for the fifty-two weeks then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and statement of consolidated earnings present fairly the financial position of American Stores Company and subsidiaries at April 2, 1955 and the results of their operations for the fifty-two weeks then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding period.

PEAT, MARWICK, MITCHELL & Co.

Philadelphia, Pa.  
May 18, 1955

# FIFTEEN-YEAR

(All dollar amounts are expressed in thousands,  
except per share and per sales dollar figures)

	52 weeks ended					
	April 2, 1955	April 3, 1954(a)	March 28, 1953	March 29, 1952	March 31, 1951	April 1, 1950(b)
Sales.....	\$624,626	\$603,736	\$542,035	\$521,311	\$469,771	\$416,644
Earnings before taxes on income.....	14,218	15,678	10,548	9,974	14,365	10,924
Federal and State taxes on income.....	7,203	8,210	5,465	4,920	7,250	4,180
Net earnings.....	7,015	7,468	5,083	5,054	7,115	6,744
Cash dividends.....	(c) 2,743	(c) 2,638	2,603	2,603	2,603	2,212
Earnings for year retained in business.....	4,272	4,830	2,480	2,451	4,512	4,532
Net earnings per sales dollar.....	1.12¢	1.24¢	.94¢	.97¢	1.51¢	1.62¢
Shares of stock outstanding at year-end.....	1,441,230	1,368,496	1,301,320	1,301,320	1,301,320	1,301,320
Earnings per share.....	4.86	5.45	3.90	3.88	5.46	5.18
Cash dividends per share.....	(c) 2.00	(c) 2.00	2.00	2.00	2.00	1.70
Stockholders' equity:						
Total.....	69,979	65,558	60,652	57,410	54,958	50,448
Per share.....	48.55	47.91	46.60	44.11	42.23	38.76
Current assets.....	69,744	74,088	67,082	65,441	70,676	56,865
Current liabilities.....	26,964	28,932	24,977	26,989	23,885	17,471
Working capital.....	42,780	45,156	42,105	38,452	46,791	39,394
Current ratio.....	2.59	2.56	2.69	2.43	2.96	3.25
Plant and equipment:						
Additions.....	10,832	6,453	3,608	13,847	10,597	5,789
Depreciation and amortization provision.....	4,485	4,226	4,071	3,608	3,030	2,614
Net investment.....	49,883	44,049	42,170	42,336	32,666	25,565
Total assets.....	120,325	118,863	111,172	109,984	104,742	84,125
Long-term debt, less amount due within one year.....	22,750	23,875	25,000	25,000	25,000	15,057
Number of retail stores at year-end:						
Self-service super markets.....	756	761	787	781	773	765
Other stores.....	320	371	502	627	732	873
Total stores.....	1,076	1,132	1,289	1,408	1,505	1,637

(a) 53 week period.

(b) The short period from January 1 to April 2, 1949 is not included in the foregoing summary. Earnings for such period amounted to \$1,486,281, or \$1.14 per share.

(c) In addition a 5% stock dividend was paid.

# STATISTICAL SUMMARY

## AMERICAN STORES COMPANY AND SUBSIDIARIES

Year ended December 31

1948	1947	1946	1945	1944	1943	1942	1941	1940
\$417,467	\$388,614	\$314,575	\$233,542	\$227,630	\$212,082	\$209,106	\$157,677	\$124,839
9,433	9,955	11,808	6,540	6,352	4,484	5,652	3,320	1,259
3,770	4,030	5,807	4,565	4,520	2,775	3,643	1,160	269
5,663	5,925	6,001	1,975	1,832	1,709	2,009	2,160	990
2,277	2,277	1,562	1,301	1,301	1,301	1,301	1,301	976
3,386	3,648	4,439	674	531	408	708	859	14
1.36¢	1.52¢	1.91¢	.85¢	.80¢	.81¢	.96¢	1.37¢	.79¢
1,301,320	1,301,320	1,301,320	1,301,320	1,301,320	1,301,320	1,301,320	1,301,320	1,301,320
4.35	4.55	4.61	1.51	1.40	1.31	1.54	1.66	.76
1.75	1.75	1.20	1.00	1.00	1.00	1.00	1.00	.75
44,933	41,511	37,859	33,312	32,720	32,093	31,647	30,875	29,795
34.52	31.89	29.09	25.59	25.14	24.66	24.31	23.72	22.89
55,396	56,107	47,784	32,172	30,922	30,168	28,149	27,147	20,552
10,510	10,510	21,809	10,348	9,769	10,004	10,273	10,421	4,177
38,880	39,797	25,975	21,824	21,153	19,564	17,876	16,726	16,375
3.35	3.44	2.19	3.11	3.17	2.84	2.74	2.61	4.92
6,036	6,795	4,165	2,013	966	704	1,220	2,418	2,110
2,091	1,735	1,455	1,631	1,346	1,371	1,399	1,353	1,236
21,943	18,240	13,700	11,285	11,109	12,002	13,211	13,729	13,018
78,301	75,146	62,249	44,003	42,489	42,698	41,920	41,296	33,972
15,172	15,220	286	344	—	—	—	—	—
761	708	665	606	595	579	576	517	418
1,072	1,213	1,347	1,358	1,425	1,487	1,523	1,613	1,739
1,833	1,921	2,012	1,964	2,020	2,066	2,099	2,130	2,157

